# The Gazette



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# EXTRAORDINARY PART II—Section 2

PUBLISHED BY AUTHORITY

No. 4]

# NEW DELHI, TUESDAY, FEBRUARY 28, 1956

# LOK SABHA

The following Bill was introduced in Lok Sabha on 28th February, 1956:—

\*Bill No. 10 of 1956

A Bill to provide for the incorporation and regulation of corporations for the purpose of development and warehousing of agricultural produce on co-operative principles and for matters connected therewith.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

# CHAPTER I PRELIMINARY

- 1. (1) This Act may be called the Agricultural Produce (Develop- Short title, ment and Warehousing) Corporations Act, 1956.

  Commence-
- (2) It extends to the whole of India except the State of Jammu ment. and Kashmir.
- (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.
  - 2. In this Act, unless the context otherwise requires,—

Definitions

- (a) "agricultural produce" means any of the following classes of commodities, namely:—
  - (i) foodstuffs, including edible oil-seeds;
  - (ii) cattle fodder, including oil-cakes and other concentrates;
  - (iii) raw cotton, whether ginned or unginned, and cotton seed;

<sup>\*</sup>The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha the introduction and consideration of the Bill.

2 of 1934.

- (iv) raw jute; and
- (v) vegetable oils;
- (b) "appropriate Government" means in relation to the Board and the Central Warehousing Corporation, the Central Government, and in relation to a State Warehousing Corporation, the State Government;
- (c) "Board" means the National Co-operative Development and Warehousing Board established under section 3;
- (d) "Central Warehousing Corporation" means the Central Warehousing Corporation established under section 17;
- (e) "Co-operative Society" means a society registered or deemed to be registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force in any 2 of 1 912. State relating to co-operative societies which is engaged in any of the activities specified in sub-section (1) of section 9 and includes a co-operative land mortgage Bank;
- (f) "prescribed" means prescribed by rules made under this Act;
- (g) "recognised association" means an association which is for the time being recognised by the Central Government under section 6 of the Forward Contracts (Regulation) Act, 1952; 74 of 1952.
- (h) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;
- (i) "scheduled bank" means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934;
- (j) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955; 23 of 1955.
- (k) "State Warehousing Corporation" means a Warehousing Corporation for a State established under section 28;
- (l) "Warehousing Corporation" means a Warehousing Corporation established under this Act; and
  - (m) "year" means the financial year.

#### CHAPTER II

THE NATIONAL CO-OPERATIVE DEVELOPMENT AND WAREHOUSING BOARD

3. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, fix in this behalf, there shall be established at New Delhi a Corporation by the name of the National Co-operative Development and Warehousing Board which shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract, and may, in the said name, sue and be sued.

Establishment of the National Cooperative Development and Warehousing Board.

74 of 1952.

- (2) The Board shall consist of the following members, namely:—
- (i) ten members representing the Central Government, be nominated by that Government in such manner as may be prescribed;
- (ii) the Chairman of the Forward Markets Commission established under the Forward Contracts (Regulation) Act, 1952, ex-officio;
- (iii) one representative of the Reserve Bank, nominated by the Central Government;
- (iv) one representative of the State Bank, nominated by the Central Government:
- (v) seven non-officials, nominated by the Central Government, of whom-
  - (a) one shall be a person who has special knowledge of rural economics: and
  - (b) four shall be persons who have experience of cooperative societies, one being a person who has also special knowledge of Co-operative Education.
- (3) A member of the Board nominated by the Central Government may be nominated by virtue of office;
- (4) There shall be a Chairman and a Vice-Chairman of the Board who shall be chosen from among the members of the Board in such manner as may be prescribed.
- 4. A person shall be disqualified for being chosen as, or for being, Disqualificaa member of the Board who---

tion for being a member of Board.

- (i) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors; or
- (ii) is or has been convicted of any offence involving moral turpitude; or
- (iii) is a salaried official of the Board or of a Warehousing Corporation.
- 5. (1) The term of office of members of the Board and the man-Term ner of filling vacancies among members shall be such as may be of office of members prescribed. of Board.
- (2) Any member of the Board other than an ex-officio member may resign his office by giving notice in writing to the Central Government, and on such resignation being accepted he shall be deemed to have vacated his office.

Removal from office of member, etc.

6. The Central Government may, at any time, remove from office any member other than an ex-officio member of the Board after giving him a reasonable opportunity of showing cause against the proposed removal.

Meetings, etc., of Board

- 7. (1) The Board shall meet at such times and places and shall, subject to the provisions of sub-sections (2) and (3), observe such procedure in regard to transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Board under this Act.
- (2) The Chairman or, in his absence, the Vice-Chairman or, in the absence of both the Chairman and the Vice-Chairman, any member chosen by the members present from amongst themselves, shall preside at a meeting of the Board.
- (3) All questions at a meeting of the Board shall be decided by a majority of the votes of the members present and voting, and in the case of equality of votes, the Chairman, or, in his absence, the Vice-Chairman, or, in the absence of both the Chairman and the Vice-Chairman, the person presiding shall have a second or casting vote.

Officers and other employees of Board.

- and 8. (1) The Central Government shall, in consultation with the em-Board, appoint a person to be the Secretary of the Board.
  - (2) Subject to such rules as may be made by the Central Government in this behalf, the Board may appoint such other officers and employees as it considers necessary for the efficient performance of its functions.
  - (3) The methods of appointment, the conditions of service and the scales of pay of the officers and other employees of the Board shall,—
    - (a) as respects the Secretary, be such as may be prescribed; and
    - (b) as respects the other officers and employees, be such as may be determined by regulations made by the Board under this Act.

Functions of Board.

- 9. (1) Subject to the provisions of this Act, the functions of the Board shall be to plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import, of agricultural produce through a co-operative society or a Warehousing Corporation.
- (2) In particular and without prejudice to the generality of the foregoing provision, the Board may—
  - (a) advance loans or grant subsidies to State Governments for financing co-operative societies;

- (b) provide funds to a State Government or a Warehousing Corporation for financing co-operative societies for the purchase of agricultural produce on behalf of the Central Government;
- (c) subscribe to the share capital of the Central Warehousing Corporation or advance loans or grant subsidies to that Corporation or any State Warehousing Corporation; and
- (d) plan and promote programmes through co-operative societies for the supply of seeds, manures, fertilisers, agricultural implements and other articles for the development of agricultural produce.
- (3) The Board shall so exercise its functions under this section as not to interfere with the activities of the All India Khadi and Village Industries Board set up by the Central Government.
- 10. (1) There shall be an Executive Committee of the Board which Executive shall consist of the following members, namely:—

Committee of Board.

- (a) the Vice-Chairman of the Board;
- (b) two members nominated by the Central Government in such manner as may be prescribed, from among the members of the Board referred to in clause (i) of sub-section (2) of section 3:
  - (c) the Chairman of the Forward Markets Commission:
- (d) the representative of the Reserve Bank nominated under clause (iii) of sub-section (2) of section 3;
- (e) one member nominated by the Central Government from among the members of the Board referred to in clause (v) of sub-section (2) of section 3.
- (2) (a) The Vice-Chairman of the Board shall be the Chairman of the Executive Committee.
- (b) The Vice-Chairman of the Executive Committee shall be nominated in such manner as may be prescribed, from among the members referred to in clause (b) of sub-section (1).
- (3) Subject to the general control, direction and superintendence of the Board, the Executive Committee shall be competent to deal with any matter within the competence of the Board.
- (4) The Executive Committee shall meet at such times and at such places and shall observe such procedure in regard to transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Board under this Act.
- (5) The minutes of every meeting of the Executive Committee shall be laid before the Board at its next following meeting.

Grants by the Central to Board.

- 11. The Central Government shall, after due appropriation made Government by Parliament by law in this behalf, pay to the Board—
  - (a) a non-recurring grant of five crores of rupees and a recurring grant in each year of a sum of five crores of rupees during the period of five years from the commencement of this Act:

Provided that the Central Government may increase or reduce the amount of such non-recurring grant or the annual recurring grant in any year having regard to the actual requirements of the Board:

(b) after the expiration of the said period of five years, such sums as the Central Government may from time to time deem necessary to enable the Board to perform its functions under this Act.

Board to maintain two funds.

- 12. (1) The Board shall maintain two separate funds, namely:—
- (a) the National Co-operative Development Fund (hereinafter referred to as "the Development Fund");
- (b) the National Warehousing Development Fund (hereinafter referred to as "the Warehousing Fund").
- (2) The Board may, with the approval of the Central Government, make re-appropriations between the two funds.

Development Fund.

- 13. (1) To the Development Fund shall be credited—
- (a) three-fifths of the annual recurring grant referred to in section 11;
- (b) such additional grants as the Central Government may make to the Board for the purposes of the Fund; and
- (c) such sums of money as may, from time to time, be realised out of repayment of loans made from the Fund or from interest on loans or dividends on investments made from the Fund.
- (2) The Development Fund shall be applied for advancing loans and granting subsidies to State Governments on such terms and conditions as the Board may deem fit for the purpose of enabling State Governments to subscribe to the share capital of co-operative societies or for otherwise financing co-operative societies.

Warehousing Fund.

- 14. (1) To the Warehousing Fund shall be credited—
- (a) the non-recurring grant of five crores of rupees and twofifths of the annual recurring grant referred to in section 11;
- (b) such additional grants as the Central Government may make to the Board for the purposes of the Fund;

- (c) such sums of money as may, from time to time, be realised out of loans made from the Fund or from interest on loans or dividends on investments made from the Fund.
- (2) The Warehousing Fund shall be applied—
- (a) for subscribing to the share capital of the Central Warehousing Corporation;
- (b) for advancing loans to State Governments on such terms and conditions as the Board may deem fit for the purpose of enabling them to subscribe to the share capital of State Warehousing Corporations;
- (c) for advancing loans and granting subsidies to a Warehousing Corporation or to a State Government for the purpose of promoting the warehousing and storage of agricultural produce.
- 15. (1) The Board shall furnish to the Central Government at Returns and such times and in such form and manner as may be prescribed or as the Central Government may direct, such returns and statements and such particulars in regard to the discharge of its functions under this Act as the Central Government may, from time to time, require.

- (2) Without prejudice to the provisions of sub-section (1), the Board shall, as soon as possible, after the end of each year, submit to the Central Government a report, in such form and manner and before such date as may be prescribed, giving a true and full account of its activities, policy and programme during the previous year.
- (3) A copy of the report received under sub-section (2) shall be laid before both Houses of Parliament.
- 16. In the discharge of its functions, the Board shall be guided Directions by such directions as may be given to it by the Central Government. Government.

#### CHAPTER III

# THE CENTRAL WAREHOUSING CORPORATION

17. (1) With effect from such date as the Central Government The Central may, by notification in the Official Gazette, fix in this behalf, there Warehousing Corporation. shall be established a Corporation by the name of the Central Warehousing Corporation which shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract and may, by the said name, sue and be sued.

(2) The head office of the Central Warehousing Corporation shall be at New Delhi.

Share capital and shareholders.

- 18. (1) The authorised capital of the Central Warehousing Corporation shall be twenty crores of rupees divided into two hundred thousand shares of the face value of one thousand rupees each, of which one hundred thousand shares of the total face value of ten crores of rupees shall be issued in the first instance, and the remaining shares may be issued, with the sanction of the Central Government from time to time, as and when the Central Warehousing Corporation may deem fit.
  - (2) Of the capital issued in the first instance—
    - (a) the Board shall subscribe for forty thousand shares;
  - (b) on application made before such date as may be notified by the Central Government in the Official Gazette in this behalf;—
    - (i) the State Bank may subscribe for ten thousand shares;
    - (ii) other scheduled banks may subscribe for twelve thousand and five hundred shares;
    - (iii) co-operative societies may subscribe for two thousand and five hundred shares;
    - (iv) insurance companies, investment trusts and other classes of financial institutions may subscribe for thirty thousand shares; and
    - (v) recognised associations and joint stock companies dealing in agricultural produce may subscribe for five thousand shares.
- (3) If any shares referred to in clause (b) of sub-section (2) remain unallotted, they may be subscribed for by the Board and the State Bank in such proportion as may be agreed upon between them.
- (4) If and when the remaining one hundred thousand shares or any part thereof are issued, the Board, the State Bank and the other institutions referred to in sub-section (2) may subscribe for such shares in such proportion as the Board may determine at the time of the issue of the shares.
- (5) Notwithstanding anything contained in this section, no institution belonging to any of the classes referred to in sub-clause (ii), (iii), (iv) or (v) of clause (b) of sub-section (2) shall be entitled to subscribe for more than twenty-five per cent. of the share capital reserved for that class of institution under the said clause.

- (6) The shares of the Central Warehousing Corporation not be transferable except to the Board, the State Bank, any scheduled bank, any insurance company, any investment trust or other financial institution or any co-operative society or any recognised association or joint stock company dealing in agricultural produce, in accordance with the regulations made by the Central Warehousing Corporation under this Act.
- 19. (1) The shares of the Central Warehousing Corporation shall Shares to be be guaranteed by the Central Government as to the repayment guaranteed by Central of the principal and the payment of the annual dividend at such Government minimum rate as may be fixed by the Central Government by notification published in the Official Gazette at the time of the issue of approved the shares.

securities.

(2) Notwithstanding anything contained in the Acts mentioned in this sub-section, the shares of the Central Warehousing Corporation shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, and also to be 2 of 1882. approved securities for the purpose of the Insurance Act, 1938, and 4 of 1938. the Banking Companies Act, 1949.

10 of 1949.

20. (1) The general superintendence and management of the Management affairs and business of the Central Warehousing Corporation shall of Central vest in a board of directors who, with the assistance of an Execu-Corporation. tive Committee and a managing director, may exercise all the powers and discharge all the functions which may be exercised or discharged by the Central Warehousing Corporation under this Act.

- (2) The directors in discharging their functions under this Act shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the Board.
- (3) If any doubt arises as to whether a question is or is not a question of policy, the decision of the Board shall be final.
- 21. (1) The board of directors, referred to in section 20, shall Directors. consist of the following, namely:
  - (a) all members of the Executive Committee of the Board referred to in sub-section (1) of section 10;
  - (b) two directors, nominated by the Board in the prescribed manner from among the members of the Board than those who are members of the Executive Committee of the Board;

- (c) the representative of the State Bank on the Board;
- (d) one director to be elected in the prescribed manner by each of the following classes of shareholders of the Central Warehousing Corporation, namely:—
  - (i) scheduled banks,
  - (ii) co-operative societies,
  - (iii) insurance companies, investment trusts and other financial institutions, and
  - (iv) recognised associations and joint stock companies dealing in agricultural produce;
- (e) a managing director, appointed by the Board in consulation with the directors referred to in clauses (a) to (d).
- (2) The four directors to be elected under clause (d) of sub-section (1) may, for the first constitution of the board of directors, be nominated by the Central Government in consultation with the Board in such manner as to give representation to each class of institutions (whether they have become shareholders of the Corporation or not) referred to in that clause, but a director so nominated shall hold office only until he is replaced by a director elected as provided in that clause, and the director so elected shall hold office only for so long as the director replaced would have held office had he not been replaced.
- (3) If, within the period prescribed in this behalf, or within such further period as the Central Government may allow, any class of institutions referred to in clause (d) of sub-section (1) fails to elect a director, the Board may nominate a director to fill the vacancy.
- (4) The Vice-Chairman of the Board shall be the Chairman of the board of directors.
- (5) The Vice-Chairman of the Executive Committee of the Board shall be the Vice-Chairman of the board of directors.
  - (6) The managing director shall—
  - (a) be a whole-time officer of the Central Warehousing Corporation;
  - (b) perform such duties as the Central Warehousing Corporation may by regulations made under this Act entrust or delegate to him; and

- the Central (c) receive such salary and allowances as Warehousing Corporation may, with the approval of the Board, fix.
- (7) The directors of the Central Warehousing Corporation other than a managing director shall be entitled to receive by way of remuneration such sums as the Central Warehousing Corporation may, with the approval of the Board, fix:

Provided that no official director shall be entitled to receive any remuneration other than the allowances, if any, admissible to him under the rules regulating his conditions of service.

- (8) The term of office of, and the manner of filling casual vacancies among, the directors shall be such as may be prescribed.
- 22. A person shall be disqualified for being chosen as, or for Disqualificabeing, a member of the board of directors of the Central Ware- of housing Corporation who-

of the Central Warehousing

- (i) is found to be a lunatic or becomes of unsound mind; Corporation. or
- (ii) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors; or
- (iii) is or has been convicted of any offence involving moral turpitude; or
- (iv) has been removed or dismissed from the service of Government on a charge of corruption or bribery; or
- (v) except in the case of the managing director, is a salaried official of the Board or of the Central Warehousing Corporation or any State Warehousing Corporation; or
- (vi) has directly or indirectly any interest in any subsisting contract made with, or in any work being done for, the Central Warehousing Corporation except as a shareholder (other than a director) in any incorporated company:

Provided that where any such person is a shareholder, he shall disclose to the Central Warehousing Corporation the nature and extent of shares held by him in such company.

23. (1) The Board may, at any time in consultation with the Removal of Central Warehousing Corporation and with the previous approval directors of the Central Government, remove the managing director from of ce after giving him a reasonable opportunity of showing cause against the proposed removal.

- (2) The board of directors may remove from office any director who-
  - (a) is or has become subject to any of the disqualifications mentioned in section 22; or
  - (b) is absent without leave of the board of directors for more than three consecutive meetings of the board without excuse, sufficient in the opinion of the board, to exonerate his absence.

Appointment of officers, service.

- 24. (1) The Central Warehousing Corporation may appoint such or omicers, etc., and their officers and other employees as it considers necessary for the efficient conditions of performance of its functions.
  - (2) Every person employed by the Central Warehousing Corporation under this Act shall be subject to such conditions of service and shall be entitled to such remuneration as may be determined by regulations made by the Corporation under this Act.

Functions of Central Corporation.

- 25. Subject to the provisions of this Act, the Central Warehousing Warehousing Corporation may-
  - (a) acquire and build godowns and warehouses at such suitable places in India as it thinks fit;
  - (b) run warehouses for the storage of agricultural produce, seeds, manures and fertilizers offered by individuals, co-operative societies and other institutions:
  - (c) arrange facilities for the transport of agricultural produce to and from warehouses:
  - (d) subscribe to the share capital of a State Warehousing Corporation;
  - (e) act as agent of the Board or of the Government for the purposes of the purchase, sale, storage and distribution of agricultural produce, seeds, manures and fertilizers; and
    - (f) carry out such other functions as may be prescribed.

Executive Committee.

- 26. (1) There shall be an Executive Committee of the Central Warehousing Corporation which shall consist of—
  - (a) the Chairman and Vice-Chairman of the board of directors.
    - (b) the managing director, and
  - (c) two other directors chosen by the Corporation in the prescribed manner.
- (2) The Chairman and the Vice-Chairman of the board of directors shall be the Chairman and Vice-Chairman respectively of the Executive Committee.

- (3) Subject to the general control, direction and superintendence of the board of directors, the Executive Committee shall be competent to deal with any matter within the competence of the Central Warehousing Corporation.
- 27. (1) The annual general meeting of the Central Warehousing Meetings of Corporation (hereinafter referred to as the annual general meet-the Corporation. ing) shall be held every year either at its head office or at any other office of the Corporation within three months from the date on which the annual accounts of the Corporation are closed, and any other general meeting may be convened by the directors at any other time.

- (2) The shareholders present at the annual general meeting shall be entitled to discuss the annual accounts, report of the directors on the working of the Corporation during the year under report, as well as the auditors' report on the annual balance-sheet and accounts.
- (3) The directors of the Central Warehousing Corporation shall, on the requisition of one-third of the number of shareholders of the Corporation, call a special meeting of the Corporation.
- (4) The requisition for a special meeting under sub-section (3) shall state the object of the meeting, and must be signed by the requisitionists and deposited at the head office of the Corporation, and may consist of several documents in like form each signed by one or more requisitionists.
- (5) If the directors of the Central Warehousing Corporation do not proceed within twenty-one days from the date of the requisition being so deposited to cause the special meeting to be called, the requisitionists, or a majority of them, may themselves call the meeting, but in either case the meeting so called shall be held within three months from the date of the deposit of the requisition.
- (6) The Central Warehousing Corporation shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Central Warehousing Corporation under this Act.

# CHAPTER IV

# STATE WAREHOUSING CORPORATIONS

28. (1) The State Government may, by notification in the Official State Ware-Gazette and with the approval of the Central Warehousing Corporation for the State and the Corporations. tion, establish a Warehousing Corporation for the State under such name as may be specified in the notification.

(2) A State Warehousing Corporation established under subsection (1) shall be a body corporate by the name notified under that sub-section, having perpetual succession and a common seal, with power to acquire, hold and dispose of property and to contract, and may, by the said name, sue and be sued.

(3) The head office of a State Warehousing Corporation shall be at such place within the State as may be notified in the Official Gazette.

Share capital and shareholders.

- 29. (1) The authorised capital of a State Warehousing Corporation shall be such sum not exceeding two crores of rupees as may be prescribed, divided into shares of the face value of one hundred rupees each, of which such number as may be determined by the Corporation in consultation with the State Government shall be issued in the first instance and the remaining shares may be issued, from time to time, as and when the Corporation may deem fit in consultation with the Central Warehousing Corporation and with the sanction of the State Government.
- (2) Of the share capital issued in the first instance, and of any subsequent issue of such capital, the Central Warehousing Corporation shall, in any case where the State Government has subscribed for fifty per cent. of such capital, subscribe for the remaining fifty per cent of the capital.

Management of a State Corporation.

- 30. (1) The general superintendence and management of the Warehousing affairs of a State Warehousing Corporation shall vest in a board of directors which shall consist of the following, namely: -
  - (a) five directors nominated by the Central Warehousing Corporation, of whom one shall be nominated in consultation with the State Bank and one at least shall be a non-official;
    - (b) five directors nominated by the State Government; and
  - (c) a managing director, appointed by the State Government in consultation with the directors referred to in clauses (a) and (b) and with the previous approval of the Central Warehousing Corporation.
  - (2) The Chairman of the board of directors shall be appointed by the State Government from among the directors of the State Warehousing Corporation with the previous approval of the Central Warehousing Corporation.
    - (3) The managing director shall—
    - (a) be a whole-time officer of the State Warehousing Corporation;
    - (b) perform such duties as the State Warehousing Corporation may, by regulations made under this Act, entrust or delegate to him; and

- (c) receive such salary and allowances as the State Warehousing Corporation may, in consultation with the Central Warehousing Corporation, and with the previous approval of the State Government, flx.
- (4) The directors in discharging their functions under this Act shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the State Government or the Central Warehousing Corporation.
- (5) If any doubt arises as to whether a question is or is not a question of policy, or, if the State Government and the Central Warehousing Corporation give conflicting directions, the matter shall be referred to the Board whose decision thereon shall be final.
- (6) The directors of a State Warehousing Corporation, other than the managing director, shall be entitled to receive by way of remuneration such sums as may be prescribed:

Provided that no official director shall be entitled to receive any remuneration other than any allowances admissible to him under the rules regulating his conditions of service.

- (7) The term of office of, and the manner of filling casual vacancies among, directors shall be such as may be prescribed.
- 31. A person shall be disqualified for being chosen as, or for Disqualificabeing, a member of the board of directors of a State Warehousing tion for Corporation who—

membership of the board of the Cor-

- (i) is, or at any time has been, adjudicated insolvent or has poration. suspended payment of his debts or has compounded with his creditors; or
- (ii) is or has been convicted of any offence involving moral turpitude; or
- (iii) has been removed or dismissed from the service of Government on a charge of corruption or bribery; or
- (iv) except in the case of the managing director, is a salaried official of the Board or of the Central Warehousing Corporation or a State Warehousing Corporation; or
- (v) has directly or indirectly any interest in subsisting contract made with, or in any work being done for, the State Warehousing Corporation except as a shareholder (other than a director) in any incorporated company:

Provided that where any such person is a shareholder, he shall disclose to the Warehousing Corporation the nature and extent of the shares held by him in such company.

Removal of Directors from office.

- 32. (1) The State Government may, at any time, in consultation with the Central Warehousing Corporation, remove the managing director from office after giving him a reasonable opportunity of showing cause against the proposed removal.
- (2) The board of directors may remove from office any director who—
  - (a) is or has become subject to any of the disqualifications mentioned in section 31; or
  - (b) is absent without leave of the board of directors for more than three consecutive meetings of the Board without cause sufficient, in the opinion of the board, to exonerate his absence.

Appointment of officers, etc., and their conditions of service.

- **33**. (1) A State Warehousing Corporation may appoint such officers and other employees as it considers necessary for the efficient performance of its functions.
- (2) Every person employed by a State Warehousing Corporation under this Act shall be subject to such conditions of service and shall be entitled to such remuneration as may be determined by regulations made by the Corporation under this Act.

Functions of the State Warehousing Corpo ion.

- **34.** Subject to the provisions of this Act, a State Warehousing Corporation may—
  - (a) acquire and build godowns and warehouses at such places within the State as it may, in consultation with the Central Warehousing Corporation, determine;
  - (b) run warehouses in the State for the storage of agricultural produce, seeds, manures and fertilizers;
  - (c) subscribe to the share capital of co-operative societies engaged in the storage or warehousing of agricultural produce;
  - (d) arrange facilities for the transport of agricultural produce to and from warehouses;
  - (e) act as an agent of the Central Warehousing Corporation or of the Government for the purposes of the purchase, sale, storage and distribution, of agricultural produce, seeds, manures and fertilizers; and
    - (f) carry out such other functions as may be prescribed.

Execu tive Committee.

- **35.** (1) There shall be an Executive Committee of a State Warehousing Corporation which shall consist of—
  - (a) the Chairman of the board of directors;
  - (b) the managing director; and
  - (c) three other directors chosen in the prescribed manner.

- (2) The Chairman of the board of directors shall be the Chairman of the Executive Committee.
- (3) Subject to any general or special directions as the board of directors may, from time to time, give, the Executive Committee shall be competent to deal with any matter within the competence of the State Warehousing Corporation.

### CHAPTER V

# FINANCE, ACCOUNTS AND AUDIT

36. (1) The Board and every Warehousing Corporation shall pre-Submission pare before the commencement of each year a statement of programme of gramme of its activities during the forthcoming year as well as a activities and financial estimate in respect thereof.

financial estimates.

- (2) A statement prepared under sub-section (1) shall, not later than three months before the commencement of each year, be submitted for approval-
  - (a) in the case of the Board, to the Central Government;
  - (b) in the case of the Central Warehousing Corporation, to the Board;
  - (c) in the case of a State Warehousing Corporation, to the Central Warehousing Corporation and the State Government.
- 37. (1) A Warehousing Corporation may, in consultation with the Borrowing Reserve Bank and with the previous approval of the appropriate Warehousing Government, issue and sell bonds and debentures carrying interest Corporation. for the purpose of raising funds:

Provided that the total amount of bonds and debentures issued and outstanding and of the other borrowings of the Corporation shall not at any time exceed ten times the amount of the paid up share capital and the reserve fund of the Corporation.

- (2) A Warehousing Corporation may, for the purpose of carrying out its functions under this Act, borrow money—
  - (i) from the Reserve Bank,—
  - (a) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date on which the money is so borrowed, against securities of the Central Government or of any State Government; or
  - (b) repayable on the expiry of fixed periods not exceeding eighteen months from the date on which the money is so borrowed, against securities of the Central Government or of any State Government, or any maturity, or against

bonds and debentures issued under sub-section (1) by the borrowing Warehousing Corporation and guaranteed by the appropriate Government and maturing within a period not exceeding eighteen months from the date on which the money is so borrowed:

Provided that the amount borrowed under this sub-clause shall not at any time exceed, in the aggregate, three crores of rupees in the case of the Central Warehousing Corporation and fifty lakhs of rupees in the case of a State Warehousing Corporation:

(ii) from the State Bank, for such periods for which, and upon any of the securities against which, it is authorised to advance and lend monies, under the provisions of the State Bank of India Act, 1955.

23 of 1955.

- (3) Subject to the proviso to sub-section (1), the Central Warehousing Corporation may borrow money from the Central Government and the Board, and a State Warehousing Corporation may borrow money from the State Government, the Central Warehousing Corporation and the Board, on such securities and on such terms and conditions as may be agreed upon between the borrowing corporation and the lender, in each case.
- (4) The bonds and debentures of a Warehousing Corporation may be guaranteed by the appropriate Government as to the repayment of principal and the payment of interest at such rate as may be fixed by the appropriate Government on the recommendation of the board of directors of the Corporation at the time the bonds or debentures are issued.

Deposit account.

- 38. (1) All moneys belonging to the Board shall be deposited in the Reserve Bank or the State Bank.
- (2) All moneys belonging to a Warehousing Corporation shall be deposited in the Reserve Bank or the State Bank or, subject to any rules made under this Act, in any scheduled bank or co-operative bank.

Investment of funds.

39. A Warehousing Corporation may invest its funds in the securities of the Central Government or any State Government.

Disposal of profits.

- 40. (1) Every Warehousing Corporation shall establish a reserve fund out of its annual net profits.
- (2) After making provision for bad and doubtful debts, depreciation on assets and all other matters which are usually provided for by companies registered and incorporated under the Indian Companies Act, 1913, a Warehousing Corporation may, out of its net an- 7 of 1913, nual profits, declare a dividend.

SEC. 21

7 of 1913.

Provided that for so long as the reserve fund is less than the paid up share capital of the Central Warehousing Corporation and until there has been repaid to the Central Government such sum, if any, as that Government may have paid under a guarantee given in pursuance of sub-section (1) of section 19 or sub-section (4) of section 37, the rate of such dividend, in the case of the Central Warehousing Corporation, shall not exceed the rate guaranteed by the Central Government under sub-section (1) of section 19.

41. (1) The Board shall maintain proper accounts and other rele-Accounts of vant records and prepare an annual statement of accounts in such Board and form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

- (2) The accounts of the Board shall be audited annually by the Comptroller and Auditor-General of India or any person authorised by him in this behalf and any expenditure incurred in connection with such audit shall be payable by the Board.
- (3) The Comptroller and Auditor-General of India and any person authorised by him in connection with the audit of the accounts of the Board shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government accounts and in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any office of the Board.
- (4) The accounts of the Board as certified by the Comptroller and Auditor-General of India or any other person authorised by him in this behalf together with an audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parlia ment.
- 42. (1) Every Warehousing Corporation shall maintain proper Accounts and accounts and other relevant records and prepare an annual state- audit of Warehousing ment of accounts including the profit and loss account and the Corporations. balance-sheet in such form as may be prescribed.

- (2) The accounts of a Warehousing Corporation shall be audited by not less than two auditors duly qualified to act as auditors of companies under sub-section (1) of section 144 of the Indian Companies Act, 1913.
- (3) The said auditors shall be appointed by the appropriate Government and the appropriate Government shall appoint one such auditor in consultation with the Comptroller and Auditor-General of India.

- (4) The auditors shall be supplied with a copy of the annual balance-sheet of the Warehousing Corporation, and it shall be their duty to examine it together with the accounts and vouchers relating thereto, and they shall have a list delivered to them of all books kept by the Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Corporation and may in relation to such accounts examine any director or officer of the Corporation.
- (5) The auditors shall make a report to the shareholders on the annual balance-sheet and accounts and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up to exhibit a true and correct view of the state of affairs of the Warehousing Corporation and in case they had called for any explanation or information from the directors, whether it has been given and whether it is satisfactory.
- (6) The appropriate Government, on the recommendation of the Board, may, after consultation with the Comptroller and Auditor-General of India at any time issue directions, through the Board to the auditors requiring them to report to the appropriate Government upon the adequacy of measures taken by a Warehousing Corporation for the protection of its shareholders and creditors or upon the sufficiency of their procedure in auditing the accounts of the Corporation and may enlarge or extend the scope of the audit or direct that a different procedure in audit may be adopted or direct that any other examination may be made by the auditors if in the opinion of the appropriate Government public interest so requires.
- (7) A Warehousing Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor-General of India and to the Board at least one month before it is placed before the shareholders.
- (8) Notwithstanding anything hereinbefore contained in this section, the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from the appropriate Government undertake in respect of a Warehousing Corporation such audit and at such time as he may consider necessary:

Provided that where the Central Government is required to make any payment on account of the guarantee given by it under sub-section (1) of section 19, such audit shall be undertaken by the Comptroller and Auditor-General of India.

(9) Every audit report under this section shall be forwarded to the appropriate Government and that Government shall cause the same to be laid before both Houses of Parliament or the Legislature of the State, as the case may be.

## CHAPTER VI

# Miscellaneous

43. No act or proceeding of the Board or of a Warehousing Cor- Vacancies, poration shall be invalid by reason only of the existence of any validate acts vacancy among its members or directors or any defect in the consti- and proceedtution thereof.

ings of the Board Warehousing Corporations

44. In any meeting of the shareholders of a Warehousing Corpora- Voting rights tion every member shall have one vote in respect of each share held holders. by him in the Corporation.

45. If there is any difference of opinion between the Central Disputes Warehousing Corporation and a State Warehousing Corporation re-Central Waregarding their respective functions and powers under this Act, such housing difference shall be referred to the Board whose decision thereon shall and State be final.

Warehousin Corporation

46. Every member, auditor and employee of the Board and every Declaration director, auditor, officer or other employee of a Warehousing Cor- of fidelity secrecy. poration shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule.

47. (1) Every director of a Warehousing Corporation shall indemnified by the Corporation concerned against all losses and expenses incurred in the discharge of his duties except such as caused by his own wilful act or default.

be Indemnity of directors.

(2) A director of a Warehousing Corporation shall not be responsible for any other director or for any officer or other employee of the Corporation or for any loss or expense resulting to the Corporation by the insufficiency or deficiency of value of, or title to, any property or security acquired or taken on behalf of the Corporation in good faith, or by the wrongful act of any person under obligation to the Corporation or by anything done in good faith in the execution of the duties of his office or in relation thereto.

- 48. (1) Whoever, without the consent in writing of a Warehousing Offences. Corporation, uses the name of that Corporation in any prospectus or advertisement, shall be punishable with imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.
- (2) No court shall take cognizance of any offence under sub-section (1) otherwise than on a complaint in writing by an officer authorised in this behalf by the Warehousing Corporation concerned.
- 49. For the purposes of the Indian Income-tax Act, 1922, a Ware-Provisions housing Corporation shall be deemed to be a company within the income-tex meaning of that Act and shall be liable to income-tax and super-tax and superaccordingly on its income, profits and gains:

11 of 1922.

Provided that in the case of the Central Warehousing Corporation any sum paid by the Central Government under the guarantee given in pursuance of sub-section (1) of section 19 or in the case of a Warehousing Corporation any sum paid by the Central or a State Government under any guarantee given in pursuance of sub-section (4) of section 37 shall not be treated as income, profits and gains of a Warehousing Corporation, and any interest on the debentures or bonds issued by that Corporation out of such sums shall not be treated as expenditure incurred by it:

Provided further that in the case of any shareholder or debenture-holder such portion of a dividend or interest as has been paid out of any such sum advanced by the Central Government shall be deemed to be his income from interest on securities declared to be income-tax free within the meaning of section 8 of that Act.

Dissolution of Board.

- 50. (1) The Central Government, if it is of opinion that the Board has failed to carry out its functions under this Act or that for any other reason it is not necessary to continue the Board, may, by notification in the Official Gazette, dissolve the Board from such date as may be specified in the notification.
  - (2) When the Board is dissolved under sub-section (1),—
  - (a) all members of the Board shall, from the date of dissolution, vacate their offices as such members;
  - (b) all powers and duties of the Board shall, as from the date of dissolution, be exercised and performed by the Central Government or such person or persons as the Central Government may appoint in this behalf;
  - (c) all funds and other property vested in the Board shall vest in the Central Government.

Winding up of Warehousing Corporations.

51. No provision of law relating to the winding up of companies or corporations shall apply to a Warehousing Corporation and any such Corporation shall not be placed in liquidation save by order of the appropriate Government and in such manner as it may direct.

Power to make rules.

- 52. (1) The appropriate Government may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.
- (2) Without prejudice to the generality of the foregoing power, such rules may provide for—
  - (a) the manner in which representatives of the Central Government shall be nominated under clause (i) of sub-section (2) of section 3;
  - (b) the manner in which the Chairman and Vice-Chairman of the Board shall be chosen;

- (c) the term of office of members of the Board and the manner of filling vacancies among them;
- (d) the methods of appointment, the conditions of service and the scale of pay of the Secretary to the Board;
- (e) the manner in which the members shall be appointed under clause (b) of sub-section (1) of section 10 and the manner in which the Vice-Chairman of the Executive Committee shall be nominated under clause (b) of sub-section (2) of section 10;
- (f) the returns, statements and other particulars in regard to the discharge of its functions to be furnished by the Board to the Central Government:
- (g) the form and the manner in which, and the time within which, the Board shall furnish to the Central Government returns, statements and other particulars with regard to the discharge of its functions;
- (h) the form and the manner in which, and the time within which, the Board shall furnish to the Central Government a report of its activities, policy and programme;
- (i) the additional functions which a Warehousing Corporation may perform;
- (j) the manner of nomination and election of the directors of the Central Warehousing Corporation and the period within which such directors shall be nominated or elected;
- (k) the term of office of, and the manner of filling casual vacancies among, and the remuneration payable to, the directors of a Warehousing Corporation;
- (l) the manner of choosing directors on the Executive Committee of a Warehousing Corporation;
- (m) the maximum limit of the authorised capital of a State Warehousing Corporation;
- (n) the form of the annual statement of accounts and the balance-sheet to be prepared by a Warehousing Corporation;
- (o) the deposit of moneys of a Warehousing Corporation in a scheduled bank or a co-operative bank;
- (p) the manner of issuing shares of a Warehousing Corporation, the calls to be made in respect thereof, and all other matters incidental to the issue of shares.
- (3) All rules made by the appropriate Government under this section shall, as soon as may be after they are made, be laid before both Houses of Parliament or the Legislature of the State as the case may be.

Power of Board to tions.

- 53. (1) The Board may, with the previous sanction of the Central make regula- Government, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purposes of giving effect to the provisions of this Act.
  - (2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for-
    - (a) the manner in which meetings of the Board and the Executive Committee thereof shall be convened, the fees for attending such meetings and the procedure to be followed thereat;
    - (b) the methods of appointment, the conditions of service and the scales of pay of the officers (other than the Secretary) and other employees of the Board;
    - (c) the duties and conduct of officers and other employees of the Board:
    - (d) the time when the accounts of a warehousing corporation may be closed; and
    - (e) generally the efficient conduct of the affairs of the Board.
  - (3) The Central Government may, by notification in the Official Gazette, rescind any regulation which it has senctioned and thereupon the regulation shall cease to have effect.

Power of Warehousing Corporations to make regulations.

- 54. (1) A Warehousing Corporation may, with the previous sanction of the appropriate Government by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder to provide for all matters for which provision is necessary or expedient for the purposes of giving effect to the provisions of this Act.
- (2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for-
  - (a) the conditions of service of, and the remuneration payable to, the officers and other employees of a Warehousing Corporation;
  - (b) the manner in which and the conditions subject to which, shares of the Central Warehousing Corporation may be transferred:
  - (c) the manner in which meetings of a Warehousing Corporation and the Executive Committee thereof shall be convened, the fees for attending such meetings, the procedure to be followed thereat:
  - (d) the duties and conduct of officers and employees of a Warehousing Corporation;

- (e) the duties which may be entrusted or delegated to the managing director of a Warehousing Corporation;
- (f) generally, the efficient conduct of the affairs of a Warehousing Corporation.
- (3) The appropriate Government may, by notification Official Gazette, rescind any regulation which it has sanctioned and thereupon the regulation shall cease to have effect.

2 of 1931.

55. In the Reserve Bank of India Act, 1934, in section 17, after Amendment clause (4B), the following clause shall be inserted, namely: —

of the Reserve Bank

- "(4C) the making to a Warehousing Corporation established of India under the Agricultural Produce (Development and Warehousing) Corporations Act, 1955 of loans and advances,-
  - (a) repayable on demand or on the expiry of fixed periods not exceeding ninety days, from the date of such loan or advance, against securities of the Central Government or of any State Government, or
  - (b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance. against securities of the Central Government or of State Government, of any maturity, or against bonds and debentures issued by the Corporation to which the loan or advance is made, and guaranteed by the Central or a State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted under clause (b) shall not at any time exceed, in the aggregate, three crores of rupees in the case of the Central Warehousing Corporation and fifty lakhs of rupees in the case of a State Warehousing Corporation."

#### THE SCHEDULE

(See section 46)

#### DECLARATION OF FIDELITY AND SECRECY

I. ......declare that I will faithfully, truly and to the best of my judgment, skill and ability execute and perform the duties required of me as a director, officer, employee or auditor (as tion and which properly relate to any office or position in the said Corporation held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the said Corporation nor will I allow any such person to inspect or have access to any books or documents belonging to, or in the possession of, the Corporation and relating to the business of the Corporation.

Signature	
Signature	
Signature	*** ***

Signed before me Date

# STATEMENT OF OBJECTS AND REASONS

The Bill gives effect to the recommendations of the Rural Credit Survey Committee relating to the development and warehousing of agricultural produce on co-operative principles which have been accepted by the Government. The Bill provides for the constitution of a Central National Co-operative Development and Warehousing Board which will be a policy-making and financing body. The functions of the Board will generally be to plan and promote programmes for the production, processing, marketing, storage, warehousing and import and export of agricultural produce through co-operative societies. The Board will be financed by the Central Government.

2. The Bill further provides for the setting up of a Central Warehousing Corporation in order to implement the warehousing programme laid down by the Board. The Corporation will have a share capital, a part of which will be subscribed for by the Central Government and the rest by the State Bank, Scheduled Banks, Cooperative Societies, etc. The shares of the Corporation will be guaranteed by the Central Government as to the repayment of the principal and the payment of a minimum annual dividend. The management of the Corporation shall vest in a Board of Directors which will include all members of the Executive Committee of the National Co-operative Development and Warehousing Board and a Managing Director. The main functions of the Central Warehousing Corporation would be to acquire and build godowns and warehouses for the storage of agricultural produce at places of all-India importance, to run warehouses for the storage of agricultural produce and to arrange facilities for the transport of agricultural produce.

- 3. The Bill also empowers every State Government to establish within the State a State Warehousing Corporation on the lines of the Central Warehousing Corporation. Half of the share capital of the State Warehousing Corporation shall be subscribed for by the Central Warehousing Corporation, if the State Government provides the remaining half. The board of directors of a State Warehousing Corporation will consist of an equal number of directors nominated by the Central Warehousing Corporation and the State Government and also a managing director appointed by the State Government with the previous approval of the Central Warehousing Corporation. If any dispute arises between the Central Warehousing Corporation and a State Warehousing Corporation regarding their respective functions, the dispute will be referred to the Central Board whose decision shall be final.
- 4. The Bill provides for financial control and accounts of the various statutory bodies set up under it. The Board and every Warehousing Corporation will submit an annual statement of its programme and activities as well as financial estimates in respect thereof to the appropriate authority. The funds of a Warehousing Corporation are to be invested only in the securities of the Central Government or a State Government. The accounts of the Board are to be audited by the Comptroller The accounts of a Warehousing and Auditor-General of India. Corporation are to be audited by qualified auditors appointed by the appropriate Government and one of the auditors will be appointed in consultation with the Comptroller and Auditor-General of India. Such auditors when asked by the appropriate Government would also submit a report to it upon the adequacy of the measures taken by a Warehousing Corporation for the protection of its shareholders and creditors. A copy of every audit report will be laid before both Houses of Parliament or the Legislature of the State, as the case may be.

A. P. JAIN.

NEW DELHI;

The 20th February, 1956.

## FINANCIAL MEMORANDUM

Under clause 11 of the Bill, the Central Government will pay to the "National Co-operative Development and Warehousing Board" a non-recurring grant of five crores of rupees and a total recurring grant of not less than twenty-five crores of rupees spread over a period of five years. Under clause 12 the National Co-operative Development and Warehousing Board is to maintain two

funds, namely, the "National Co-operative Development Fund" and the "National Warehousing Development Fund". The non-recurring grant of five crores of rupees will be credited to the Warehousing Fund while the recurring grant will be divided between the two Funds. The Board will be htitled to make re-appropriations between the two Funds. Clause 41 provides that the Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India. It also provides for annual audit bv Comptroller and Auditor-General of India or any person authorised by him and for the accounts of the Board together with an audit report thereon being furnished annually, to the Central Government who will cause the same to be laid before both Houses of Parlia ment.

# MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 52 of the Bill empowers the appropriate Government to make rules to carry out the purposes of the Act. The matters in respect of which such rules may be made are specified therein. These matters are generally of a routine character. They relate to the manner of choosing members of the Board or directors of a Warehousing Corporation, the term of office of such members or directors, the appointment of officers and other employees of Board, etc. Rules may also be made in regard to certain returns. reports and other statments to be furnished by the Board. Rules may further be made in regard to certain minor financial matters such as the maximum limit of the authorised capital of a State Warehous ng Corporation, the form of the annual balance-sheet, the investment of the moneys of a Warehousing Corporation, etc. The appropriate Government may also make rules with respect to the manner of issuing shares of a Warehousing Corporation and the calls and other incidental matters relating to the issue of shares. All the above matters are comparatively of a minor importance and are normally the subject-matter of delegated legislation. Provision has been made that rules made by the appropriate Government shall be laid before Parliament or the Legislature of the State, as the case may be.

Clauses 53 and 54 of the Bill empower the Board and a Warehousing Corporation to make regulations not inconsistent with the provisions of the Act and the rules made thereunder. The power of making regulations is mainly restricted to procedural matters such as, the calling of Meetings, the fees for attending meetings, etc. Regulations may also be made with respect to the delegation of powers to the managing director of a Warehousing Corporation, the

duties and conduct of officers and other employees of the Board or a Warehousing Corporation. The Central Warehousing Corporation is further empowered to make regulations regarding the manner in which, and the conditions subject to which, its shares may be transferred. The power of making regulations is thus confined to matters of detail only and all such regulations are to be made with the previous sanction of the appropriate Government.

M. N. KAUL, Secretary.